

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-02 PRS-01 SP-02 SS-15 EB-07 COME-00

OTPE-00 FCC-02 NSCE-00 SSO-00 USIE-00 INRE-00 /063 W

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O 042138Z FEB 76

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC IMMEDIATE 8731

UNCLAS OTTAWA 0472

POUCHED INFO ALL CONSULAR POSTS IN CANADA

E.O. 11652: N/A

TAGS: EFIN, EIND, ETEL, SCUL, CA

SUBJ: BILL C-58: PARLIAMENT RESUMES CONSIDERATION

REF: OTTAWA 4636, DEC. 10, 1975; OTTAWA 0416

1. HOUSE OF COMMONS ON FEBRUARY 3 COMMENCED REPORT STAGE OF BILL C-58 WHICH WAS REPORTED BY COMMITTEE DEC. 9 WITHOUT AMENDMENTS. TWELVE AMENDMENTS FROM FLOOR ARE TO BE CONSIDERED. SHARP, PRESIDENT OF THE PRIVY COUNCIL, ANNOUNCED GOVERNMENT'S INTENTION THAT COMMONS CONTINUE WITH C-58 UNTIL REPORT STAGE HAS BEEN DISPOSED OF.

2. MAJOR FEATURES OF INITIAL DEBATE WERE:

A. ANNOUNCEMENT BY REVENUE MINISTER CULLEN OF WHAT APPEARS TO BE DECISION THAT EIGHTY PERCENT RULE (INTERPRETATION OF "NOT SUBSTANTIALLY THE SAME") COULD BE MET BY "DIGEST" TYPE MAGAZINE REGARDLESS OF SOURCE OF MATERIAL IF THEY EDITED AND CONDENSED THAT MATERIAL IN CANADA.

B. ANNOUNCEMENT BY CULLEN IF AN ADVERTISER SUCCESSFULLY CHALLENGED EIGHTY PERCENT RULE IN COURT AND GOC LATER AMENDED LEGISLATION TO OVERCOME
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COURT RULING, ADVERTISER WOULD BE ABLE TO TAKE THE

DEDUCTION ONLY FOR THE YEAR IN WHICH THE COURT ACTED
AND NOT RETROACTIVELY.

C. STATEMENT BY SECRETARY OF STATE FAULKNER THAT
HOUSE OF COMMONS SHOULD REJECT ANY MOTION THAT EFFECTIVE
DATE OF BILL AS IT AFFECTS PERIODICALS BE POSTPONED.

D. READING INTO RECORD OF WHAT APPEARED TO BE STATEMENT
BY READER'S DIGEST TO EFFECT THAT IT WILL CONTINUE
OPERATIONS IN CANADA AND ASSURING ITS ADVERTISERS OF
THEIR RIGHT TO DEDUCT COSTS FOR TAX PURPOSES.

3. COMMENT: CULLEN STATEMENT APPEARS TO HAVE BEEN
MADE WITHOUT REFERENCE TO NOTES AND IT IS NOT FULLY
CLEAR AS TO EXACTLY WHAT HE SAID RE DIGEST TYPE
PUBLICATIONS. (WE ARE FORWARDING HANSARD TEXT
IN SEPT. NO OTHER STATEMENT FROM REVENUE CANADA IS
YET AVAILABLE.) LIKEWISE, IT WAS NOT MADE CLEAR
WHETHER READER'S DIGEST INTENDS MEET SEVENTY-FIVE
PERCENT OWNERSHIP TEST WHICH WOULD STILL BE REQUIRED
FOR ANY PERIODICAL TO QUALIFY AS CANADIAN.

4. PRESS HAS GIVEN PROMINENT COVERAGE TO CULLEN
ANNOUNCEMENT. MONTREAL GAZETTE QUOTES READER'S DIGEST
SPOKESMAN AS REFUSING TO ELABORATE ON THE COMPANY'S
STATEMENT (PRESUMABLY ONE READ INTO HANSARD).
GLOBE AND MAIL ARTICLE AMPLIFIES CULLEN'S
PARLIAMENTARY STATEMENT AS FOLLOWS:

QUOTE. YESTERDAY, MR. CULLEN TOLD THE COMMONS HE HAD
DECIDED THAT 'BECAUSE OF THE UNIQUE NATURE OF
DIGESTS ... WE FELT WE SHOULD ACCOMMODATE DIGESTS--
NOT READER'S DIGEST.'

MR. CULLEN'S STATEMENT IN OCTOBER SAID 'THE GOVERNMENT'S
POLICY REQUIRES THAT MORE THAN 80 PER CENT OF THE
CONTENTS OF A CANADIAN PERIODICAL MUST BE MATERIAL
WHICH HAS NOT APPEARED IN ANY CURRENT OR PRIOR ISSUES
OF FOREIGN PUBLICATIONS WITH WHICH THE CANADIAN
PERIODICAL MAY HAVE ANY TYPE OF CONTINUING ARRANGEMENT
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FOR ACCESS TO MATERIAL.'

THE KEY TO THE DEAL WITH READER'S DIGEST IS THE
PHRASE 'ANY TYPE OF CONTINUING ARRANGEMENT FOR ACCESS
TO MATERIAL.'

AT THE COMMITTEE HEARINGS, READER'S DIGEST SPOKESMEN
ARGUED THEY HAD TO GO THROUGH THE PARENT COMPANY'S

WORLDWIDE POOL OF MATERIAL TO GET ACCESS TO THE ORIGINAL ARTICLES THEY WISHED TO USE IN THE CANADIAN EDITION. OUTSIDE THE COMMONS, MR. CULLEN EXPLAINED THAT HE HAD DECIDED IT WOULD BE IMPOSSIBLE FOR ANY GROUP TO OPERATE A CANADIAN DIGEST WITHOUT GOING THROUGH THE READER'S DIGEST MATERIAL POOL BECAUSE THE PARENT ORGANIZATION HAD ACQUIRED THE EXCLUSIVE RIGHT TO REPRINT AND SUMMARIZE SO MUCH OF THE TOTAL STOCK OF ORIGINAL PERIODICAL MATERIAL PUBLISHED.

THEREFORE THE GOVERNMENT HAS DECIDED THAT THE DIGEST'S ACCESS TO ORIGINAL MATERIAL THROUGH THE PARENT COMPANY'S POOL WILL NOT BE CONSIDERED A 'CONTINUING ARRANGEMENT FOR ACCESS TO MATERIAL.'

STORIES OBTAINED THIS WAY WILL STILL QUALIFY TO BE CONSIDERED PART OF THE 80 PER CENT 'DIFFERENT' MATERIAL, PROVIDING THEY WERE SELECTED BY CANADIAN EDITORS AND CONDENSED IN CANADA SPECIFICALLY FOR THE CANADIAN EDITION. IF THE CANADIAN EDITION USES AN ARTICLE EDITED AND CONDENSED FOR OTHER EDITIONS OF READER'S DIGEST OR USES MATERIAL PREPARED ORIGINALLY FOR THE PARENT READER'S DIGEST, THOSE ARTICLES WILL HAVE TO BE COUNTED AS PART OF THE 20 PER CENT CONTENT WHICH CANADIAN PERIODICALS ARE PERMITTED TO LIFT FROM ASSOCIATED PUBLICATIONS. END QUOTE

5. TIME CANADA PRESIDENT STEPHEN LARUE WAS QUOTED IN FEBRUARY 4 MONTREAL GAZETTE AS SAYING QUOTE THE AGREEMENT BETWEEN READER'S DIGEST AND THE GOVERNMENT 'WAS SPRUNG ON EVERYBODY TODAY. THERE'S NO DOUBT A BIT OF SECRECY WAS INVOLVED (IN NEGOTIATIONS). IT CERTAINLY RAISES SOME QUESTIONS ABOUT LAST-MINUTE DEALS. THE PUBLIC NEEDS A CLARIFICATION NOW UNCLASSIFIED

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OF WHAT THE AGREEMENT MEANS.' LARUE CALLED ON THE GOVERNMENT TO DEFINE BY WHAT STANDARDS IT WILL JUDGE DIFFERENCES IN CONTENT OF CANADIAN AND PARENT PUBLICATIONS. HE RULED OUT THE POSSIBILITY OF TIME CANADA CONDENSING MATERIAL FROM U.S. EDITIONS TO ASSURE A 'DIFFERENCE' IN THE CANADIAN PUBLICATION'S CONTENT TO ALLOW IT TO BE CLASSIFIED AS A CANADIAN PUBLICATION. 'I'M NOT GOING TO PRODUCE A DIGEST JUST BECAUSE THAT'S WHAT THE GOVERNMENT WANTS.' END QUOTE"

6. FEBRUARY 9 ISSUE OF TIME CANADA FEATURES LETTER FROM SECRETARY OF STATE FAULKNER REPLYING TO EDITORIAL "FREEDOM AND FAIRNESS" PUBLISHED IN JANUARY 26 ISSUE (SEE OTTAWA 262) AS WELL AS TIME

REJOINDER TO LETTER. NO NEW POINTS OF SIGNIFICANCE
APPEAR IN EITHER STATEMENT. TEXTS OF THESE ITEMS
AS WELL AS GAZETTE AND GLOBE AND MAIL ARTICLES
MENTIONED ABOVE BEING FORWARDED EUR/CAN.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRESS COMMENTS, TAX LAW, LOWER HOUSE, LEGISLATIVE BILLS, MAGAZINES, BILL C-58
Control Number: n/a
Copy: SINGLE
Draft Date: 04 FEB 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976OTTAWA00472
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760042-1030
From: OTTAWA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760283/aaaacuxg.tel
Line Count: 174
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 76 OTTAWA 4636, 76 OTTAWA 416
Review Action: RELEASED, APPROVED
Review Authority: blochd0
Review Comment: n/a
Review Content Flags:
Review Date: 08 JUN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <08 JUN 2004 by BrownAM>; APPROVED <03 DEC 2004 by blochd0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: BILL C-58: PARLIAMENT RESUMES CONSIDERATION
TAGS: EFIN, EIND, ETEL, SCUL, CA, US, TIME, READERS DIGEST
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006